

GAMING REGULATION IN NEVADA

The Second Sawyer
Administration

As remembered by
Guy W. Farmer

UNIVERSITY OF NEVADA
ORAL HISTORY PROGRAM

GUY W. FARMER: GAMING REGULATION IN NEVADA— THE FIRST SAWYER ADMINISTRATION

Interviewee: Guy W. Farmer

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Description

Guy W. Farmer, a longtime northern Nevada journalist, writer, and editor, first came to Carson City in January 1962 and served as Public Information Officer for the Nevada Gaming Commission and Gaming Control Board from August 1963 through 1966. Farmer's principal responsibilities were to serve as press spokesman for the gaming control agencies and as liaison officer with state and national media. His recollections of the early members of the Commission and Control Board are vital memories of Nevada's once unique gaming control system, which has become the regulatory model for many of the states that have legalized casino gambling over the past forty years.

One of the most talked about incidents during Guy Farmer's association with the administration of Governor Grant Sawyer was the highly publicized 1963 Frank Sinatra-Sam Giancana episode. Giancana, undisputed godfather of the Chicago mafia family, was listed in Nevada's Black Book, officially prohibiting him from entering casino properties. Giancana was found to be staying at Sinatra's secluded Cal-Neva Lodge on the North Shore of Lake Tahoe, and Sinatra refused to make Giancana leave his property, which resulted in the revocation of Sinatra's gaming license. Farmer recounts details of the investigation and the obscene phone conversation between Frank Sinatra and Gaming Control Board Chairman Edward A. Olsen. The Sinatra case created nationwide media interest, and throughout the investigations and hearings, Farmer, as press spokesman, was largely responsible for keeping the rest of the nation informed on positive actions the gaming control agencies were taking to reduce the influence of organized crime in Nevada casinos.

With the help of state regulators such as Guy Farmer and others, who enforced gaming regulations without fear or favor, legislation was passed that created the Nevada Gaming Commission.

In 1967 Guy Farmer accepted a position as an American diplomat with the U.S. Information Agency, which operated overseas information and cultural programs. Following his retirement in 1995, Farmer moved back to Carson City, where he serves as an English/Spanish courtroom interpreter and writes a weekly political column for the *Nevada Appeal*.

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from oral history interviews by Dwayne Kling

edited by R. T. King

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PREFACE

THIS MEMOIR derives from interviews with Guy Farmer by oral historian Dwayne Kling. It is one product of the University of Nevada Oral History Program's (UNOHP) project on gaming regulation and gaming regulators in Nevada.

Forty years experience in the gaming industry, combined with an impressive record of research and writing on the subject, made Dwayne Kling the logical choice to be our oral historian on this extensive project. Mr. Kling earned a bachelor's degree in economics and business administration from St. Mary's College. After service in the army during the Korean War, he took a job with Harolds Club in Reno as a change person and dice dealer. From this modest beginning, a rewarding career in gaming developed. Kling worked his way up through a variety of positions in several casinos, eventually becoming co-owner and general manager of the Silver Spur Casino, 1971-1981. After selling that property, he went on to several other management positions in

Reno gaming, retiring from The Virginian Hotel-Casino in 1995 as casino manager.

Following Kling's retirement, Ken Adams, the UNOHP's gaming history coordinator, recruited him to work on our gaming history series. Kling received training in the theory and practice of oral history and joined the UNOHP as an associate oral historian in 1996, concentrating on gaming industry history and related issues. In addition to his work for the UNOHP, he is the author of *The Rise of the Biggest Little City: An Encyclopedic History of Reno Gaming, 1931-1981*, published by the University of Nevada Press.

Its oral origins notwithstanding, the text of this book reads much like that of any written composition. The verbatim transcripts from which it arises have been edited for clarity and readability, and interviewers' questions that are not contextually significant have been deleted. Reflecting its oral origins, two unconventional devices are employed to represent important parts of the dynamic of spoken language: [laughter] appears when the chronicler laughs in amusement or to express irony; and ellipses are used to indicate halting speech . . . or a dramatic pause.

As with all its published works, the Oral History Program vouches for the authenticity of *Gaming Regulation in Nevada*, but it makes no claim that the recollections upon which the memoir is based are entirely free of error. This is personal history;

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this is the remembered past. Copies of the tape recordings of the interviews that are the source of this book are housed in the Oral History Program of the University of Nevada, where they can be heard by appointment.

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INTRODUCTION

GUY W. FARMER, a longtime northern Nevada journalist, writer, and editor, was born in Portland, Oregon in 1935. A 1957 graduate of the University of Washington Journalism School in Seattle, he first came to Carson City in January 1962, to serve as capital correspondent for the Associated Press. He remained in that position until August 1963, when he resigned to accept an appointment as Public Information Officer for the Nevada Gaming Commission and Gaming Control Board.

Mr. Farmer's principal responsibilities were to serve as press spokesman for the gaming control agencies and as liaison officer with state and national media. At the time of his appointment, the Gaming Control Board had been in existence for approximately eight years, and the parent Gaming Commission was only four years old. Because of this, Mr. Farmer worked closely with many of the early members of the Commission and

Control Board. His recollections of the individual regulators are vital memories of Nevada's once unique gaming control system, which has become the regulatory model for many of the states that have legalized casino gambling over the past forty years.

Arguably, one of the most talked about incidents during Mr. Farmer's association with the administration of Governor Grant Sawyer was the highly publicized 1963 Frank Sinatra-Sam Giancana episode. Giancana, undisputed Godfather of the Chicago Mafia family, had recently been entered into Nevada's *Black Book*, officially known as the List of Excluded Persons. Anyone listed in the *Black Book* was prohibited from entering casino properties under threat of gaming license revocation, and Giancana was found to be staying at Sinatra's secluded Cal-Neva Lodge on the North Shore of Lake Tahoe with his girlfriend, Phyllis McGuire of the singing McGuire Sisters, who were appearing at the club.

Sinatra refused to make Giancana leave his property, and, in fact, rolled out the red carpet for the Godfather, the state charged. When Sinatra learned that the Gaming Control Board was investigating him for possible violations of state gaming regulations, he asked his secretary to call Gaming Control Board Chairman Edward A. Olsen to invite the powerful chairman to have dinner at the Cal-Neva.

When Olsen declined his invitation, Sinatra called him at his office in Carson City; Olsen directed Guy Farmer to listen in on the ensuing conversation, a key moment in the history of Nevada gaming control. In the accompanying transcript, Farmer recounts details of the obscene phone conversation and summarizes the final results of the Sinatra investigation.

The Sinatra gaming license revocation case created nationwide media interest, and the Nevada gaming control agencies received hundreds of letters from all over the country, most of which lauded the state of Nevada for attempting to enforce its strict regulations. Throughout the investigations and hearings in the Sinatra case, Mr. Farmer acted as press spokesman for the state and was largely responsible for keeping the rest of the nation informed as to the positive actions the gaming control agencies were taking to reduce the influence of organized crime in Nevada casinos.

Over the past seventy years that casino gaming has been legal in Nevada, many casino owners and state regulators in different eras have been influential in keeping the industry clean in order to maximize state tax collections and to avoid federal intervention. Casino owners like Bill Harrah and Raymond I. "Pappy" Smith were noted for keeping their operations clean and above board. Some of the state regulators who enforced the regulations

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without fear or favor included Bob Cahill, Ed Olsen, Bob Faiss, Charlie LaFrance, “Butch” Leypoldt, Guy Farmer, and others who were told to “hang tough.”

With the help of these men and others like them, legislation was passed that created the Nevada Gaming Commission, and a temporary rapport was established between the Sawyer administration and President John F. Kennedy. Unfortunately, that rapport vanished when Nevada gaming controllers confronted the Kennedys’ good friend, Frank Sinatra.

In 1967, Mr. Farmer accepted a position with the U.S. Information Agency, which operated overseas information and cultural programs before it was merged into the State Department in 1999. He spent almost thirty years as an American diplomat, living and working in countries ranging from Australia to Venezuela. Following his retirement in 1995, he and his late wife, Consuelo, moved back to Carson City, where he serves as an English/Spanish courtroom interpreter and writes a weekly political column for the *Nevada Appeal*, the Silver State’s oldest daily newspaper.

DWAYNE KLING
Reno, Nevada





GUY FARMER: When I went to work for the state, my position was with the Gaming Commission. In reality, however, I performed as public information officer and press spokesman for both the Gaming Commission and the Gaming Control Board.

Right from the beginning, I reported primarily to the Gaming Control Board chairman, Edward A. Olsen, and, to a lesser degree, to the commission. As chairman of the Gaming Control Board, Ed held one of the most important positions in state government. Governor Grant Sawyer had run for election on a “hang tough” gaming control policy, and Ed was the right guy for that job. The other members of the board were Ned Turner, who’d been

a clerk of the Nevada Supreme Court, and a former Clark County sheriff, Butch Leypoldt.

During my time, the membership of the commission and the board remained the same. Milton Keefer of Las Vegas was chairman of the commission throughout. He was an attorney in private practice in Vegas. Another member was James Hotchkiss, who ran an armored car service in Vegas. There were two Reno members: F. E. "Pete" Walters, a realtor; and Pete Petersen, former Reno postmaster. Norman Brown, a rancher in Smith Valley, was also on the commission.

Milt Keefer was definitely the leader of the commission and a strong chairman. He was kind of a tough customer, quite demanding, and he closely scrutinized recommendations made by the board. On occasion he questioned their decisions, but, for the most part, the commission went along with the actions the board took—most particularly, in the Sinatra license revocation case.

Milt was backed up very firmly by Jim Hotchkiss. They had similar backgrounds: they were both former FBI agents, and they didn't like the mob. They believed in the *Black Book* concept and the idea of weeding the hoodlums out. We're not just talking about people who may have been illegal gamblers prior to coming to Nevada—I mean, we would have lost everyone! [laughter] But as we used to say, and maybe they still do today, "Who do you want running a casino, a gambler or an accountant?"

Jim Hotchkiss was a strong member, but the Reno members were less memorable to me. Pete Walters kept up with things pretty well and knew what was going on, and I viewed him as a good member of the commission. Pete Peterson, the ex-postmaster, was probably the political appointee—a good fellow, but he didn't exercise any leadership that I remember.

Norman Brown was a pillar of integrity. He was the kind of old-line Nevadan that you really like to have on the Gaming Commission. There was no way to bribe a fellow like this—he just cared very deeply about Nevada. I really admired him for his character and the kind of person that he was. He was a Smith Valley rancher, and sometimes he'd miss a meeting because he was driving his cattle from Smith Valley to Bridgeport or back, because that was his priority at the time. When it came time for the cattle drive, that's where you'd find Norman Brown. I actually arranged some speaking appearances for him, and he was great, talking about the need for strong gambling control and for keeping the mob out.

The members of both the board and the commission were appointed by the governor. The Gaming Commission was given final authority for gaming licenses and all disciplinary actions, and the board was the administrative body that did everything else—all of the license investigations, the enforcement investigations—and administered the

gaming laws on a daily basis. Basically, the commission met once a month, unless there was some kind of emergency.

The Gaming Control Board members were full-time employees, whereas the commission was a part-time body. What you were looking for in the commission were distinguished Nevadans with reputations for honesty and integrity, who would act in the best interests of the state on their decisions on gaming licenses and enforcement actions.

It's my understanding that before the board and commission were created, gaming control in Nevada was named "Robbins Cahill." [laughter] Bob Cahill was it! He was the executive secretary of the Tax Commission, and the only hammer the state had on licensees was really through the Tax Commission. Bob Cahill did attempt to do some background investigation, and he was a towering figure of his time, during the 1950s. I think he paved the way for the tougher gaming law that came with the election of Grant Sawyer.

Ray Abbaticchio was Governor Sawyer's first Gaming Control Board chairman. He was an ex-law-enforcement type and a feisty fellow. He really stirred things up by conducting raids on the Vegas Strip. When the *Black Book* first went into effect, they would actually go into a casino with a number of agents and make quite a stir if they spotted an alleged hoodlum or *Black Book* type. Ray got a lot of publicity and made the casino people angry.

Governor Sawyer tried for a third term in 1966, but Paul Laxalt beat him. (We used to say in those days, “Even Jesus couldn’t get elected to a third term in Nevada.”) Laxalt appointed Alan Abner chairman of the Gaming Control Board. Abner was an excellent PR guy in Reno, a very loyal Republican, very close to Paul Laxalt and the Laxalt family, but it was a terrible appointment.

Alan Abner is a very nice guy: he was completely out of his depth as chairman of the Gaming Control Board. He was replaced after a few months by Frank Johnson, my successor as the public information person for the commission and board. Johnson was a Reno newspaperman who’d been editor of the *Nevada State Journal*—a good guy, wrote a column, and was well respected. He was a much better appointment as Gaming Control Board chairman.

DWAYNE KLING: It’s interesting how many chairmen of the board were journalists or media people in the early days.

There was a very close relationship in those days between journalists and politicians. Things were different then, in that journalists weren’t always digging for dirt on politicians, like they do today. We tended to be friends. Professionally, we probably should have kept more of a distance, but here we were in a small state . . . We all knew each other. We needed each other.

The politicians needed the news guys; the news guys needed the politicians. It was a slightly incestuous relationship, that, frankly, I preferred to what we have these days, in which there's implacable hostility and what's come to be called the "politics of personal destruction." If I had written a story every time I saw a politician falling down drunk, that's probably all I would have done.

Did you ever feel that politics was involved in naming certain individuals to the board or to the commission?

A little bit. I thought a couple of the people were appointed because they had been loyal, political people: specifically, Ned Turner on the board and Pete Petersen on the commission. Both were very good guys, guys who'd worked for the Democratic Party for many, many years. I feel their appointments were political.

Of course, gaming control did affect politics in Nevada, and it always will. In my day there was a mini-Hatch Act, in that Gaming Control Board and Gaming Commission employees were not supposed to be involved directly in politics, but the line was crossed from time to time. I wrote a number of what would probably be regarded as political speeches for Governor Sawyer. I wrote gambling control speeches that said we were highly successful and doing a fine

job, and that was certainly political. I also wrote some civil rights speeches. I wrote the introduction when Governor Sawyer introduced Martin Luther King Jr. in Las Vegas. I wrote some civil rights stuff and was a good deal more liberal in those days than I am today, but, basically, the Gaming Control Board had a little bit of insulation there.

To his credit, I'm not aware that Sawyer ever used a heavy hand with Ed Olsen: "You do this, you do that." Ed got some guidance from Sawyer, but I think that Ed Olsen had a very good idea of what the "hang tough" gaming control policy was all about, and he was doing Sawyer's bidding without a lot of direct interference from the governor. There wasn't as much politics as you might think in gaming control.

Occasionally, I'd demur in political things that I didn't want to be involved with. I didn't think it was a good idea to get involved, and I used to argue about it with my friends in the governor's office, like Bob Faiss and Chris Schaller. I wasn't a front-line political operative, anyway, the way they were. I was there as a journalist and public information guy. If I did my job well, I thought that would reflect well on the Sawyer administration. Strong gaming control is a political plus in Nevada, I believe. Nevadans understand the importance of keeping a handle on this industry.

Did you ever hear of political pressure being put on board or commission members to license individuals or casinos?

Not directly. There could have been a case where maybe a commission member's friend would put in a good word for somebody, but basically, in those years, they were beefing up the investigations, and the license application rose or fell on the weight of the investigation. It would have been very hard to manipulate that.

I don't recall the governor ever intervening directly. However, Nevada is a small state. In those days, everybody knew everybody; sure, there were recommendations being made and comments being made on license applications. An investigation would include conversations with a lot of people who knew the applicants pretty well. Some of those could have been political types. It's entirely possible to that extent . . . but political pressure, arm-twisting and all, I never saw much of that.

Was there harmony between the commission and the board during the years that you were there?

I recall mostly harmony. I think the commission had faith in Ed Olsen's and Butch Leypoldt's judgment and knew that they were trying to do the right thing. Of course, they reviewed what was going on, especially Keefer and Hotchkiss, and they

stayed in pretty close touch with Butch Leypoldt down south. The commission met every month—one month they'd meet in Carson, and the next down in Vegas—so there was a lot of back and forth in those days, flying the old Bonanza Airlines, bumping along.

The board had three divisions: enforcement, administration, and investigation. In my day the investigation division was headed by Charles LaFrance, another former FBI agent. He'd been an organized crime specialist, and my guess is that when J. Edgar Hoover was trying to ignore the existence of the Mafia or the mob, Charlie LaFrance was doing everything he could to expose those guys and to bring them to justice. Charlie LaFrance was a tough customer.

Charlie was in charge of the investigators, among whom were a couple of other FBI agents. We had several former agents involved in investigating the license applicants. Now, they weren't gamblers, but they had very good ties. (When I first went to work for the board, relations were excellent between the Gaming Control Board and the FBI. Later on, they deteriorated for mostly political reasons.) So Charlie was the chief investigator, and he was a driving force, along with Ed Olsen, in the Sinatra license revocation.

In those days the enforcement division was headed by Tommy Hill. Tommy was a gambler and had a staff of gamblers, because who else can detect

cheating? Not FBI agents! That's why you hire ex-gamblers.

The other division was the administrative division, and from there I remember a files chief named Ray Koon. I think Ray later became the head of investigations. Jack Stratton was our office manager, and Jack later served on the board. We didn't have much of a staff. I think our total staff in Carson and Reno and Vegas may have been fifty people, plus alleged undercover agents . . . whom I never saw, but they were allegedly out there. [laughter] They were hidden so well that I didn't know if they were real! Here's a story about the undercover agents:

The two things Governor Sawyer was most proud of were gambling control and progress on civil rights in Nevada. There was an old saw that to gamble alongside black people was bad luck, and when Sawyer took office, blacks were, in effect, still being banned from the major casinos. That contributed to Nevada's reputation as "the Mississippi of the West."

The industry was quite segregated. If you were a minority, you gambled at Bill Fong's New China Club in Reno, or you gambled at the Moulin Rouge in Vegas, or the little clubs in North Las Vegas. Well, Sawyer told Ed, the Gaming Commission, and the Board to do away with that.

Word was that clubs were kicking out the board's African-American undercover agents. I can't say that we ever really had any, but Ed made a few phone

calls to Butch in Vegas, and African Americans started gaining access to the major casinos.

One of the last holdouts was the El Capitan in Hawthorne, owned by Woody Loftin. They had kind of a blue-collar clientele, and they weren't real eager to integrate the club. Ed made a call to Woody Loftin and said, "Woody, you just kicked out one of my undercover agents. You know, if this kind of thing continues, we'll have to close you down." Well, the El Capitan caved in and integrated its games. Ed Olsen and his black undercover agents—real or imagined—had a lot to do with ending segregation in Nevada's casinos.

In 1960 a "List of Excluded Persons" was published. (It was commonly referred to as the Black Book.) Could you give me a little background on that—who started it, whose idea it was, who enforced it, and so on?

Well, the one who gets credit for the *Black Book* is Grant Sawyer, because it came in after he took office and instituted his "hang tough" gaming control policy. One of his concerns was always that the state was too closely associated with the mob, and that the mob was running Vegas. All that dates from Bugsy Siegel and the Flamingo, and that is well-known history.

Grant Sawyer and his gaming control people said, "We don't want the mob to be visible in and

around Nevada casinos, so we're going to create a list of excluded persons, and here are the kinds of people we're talking about." That first list had, if I'm not mistaken, eleven names, and I believe there were still only eleven names on it when I joined the board and commission staff. They had been put into a black binder, and that black binder became the *Black Book*. That was the colorful name for it, and the casinos were advised that they were to kick these guys out if they showed up.

During the Ray Abbaticchio era, when a couple of these people did visit Vegas, the Gaming Control Board squads came running through the casinos and harassed them until they threw these people out. Well, one of the guys they threw out was, as I understand it, a mid-level hoodlum from Chicago named Marshall Caifano, known more popularly as Johnny Marshall. He filed a lawsuit in, I believe, December, 1960. He was thrown out of one or more of the casinos and harassed, and he claimed that his civil rights were violated, because he couldn't freely visit Nevada casinos. That was quite a test for Nevada law.

(Of course, Nevada gaming law is If you're a cop, you love it, because the burden is on the accused to prove that they didn't do it. That's because it's a privileged industry—a Nevada gaming license is not a right; it's a privilege. Today, when there is talk of gaming taxes, gaming industry spokesmen say, "We want to be treated like everybody else."

The state's answer is, "No, we don't treat you like everybody else in Nevada, because you're in a privileged industry. We give you a gaming license, but we put some pretty strict conditions on it.")

Anyway, Johnny Marshall claimed that he had a right to run through the casinos any time he wanted, so he sued the state of Nevada—specifically, the Gaming Commission and the Gaming Control Board—for passing onerous regulations that kept him out of the casinos. He claimed his civil rights were violated and sought \$150,000 in civil damages, which was real money in those days.

There was a trial in Las Vegas federal court in the fall of 1963, and Johnny Marshall testified about how he was harassed and put upon by the state of Nevada. Ed Olsen and gaming commissioners Keefer and Hotchkiss testified for the state that we needed this type of regulation in order to keep the mob out of here. That trial was held before Federal District Judge M. D. Crocker of Fresno. (He was a visiting judge—all the Nevada judges knew the players and had to recuse themselves.) Judge Crocker eventually found against Marshall, dismissed his complaint, and said he didn't have any right to free run of the casinos, and that this was a reasonable exercise of the state's police power. That was a very important decision in the state of Nevada.

Marshall appealed and lost, and the federal appeals court issued one of the great decisions in the history of Nevada gaming. In validating the *Black*

Book and Nevada's right to exclude people from casinos, the appeals court stated, "Plaintiff's entry upon the gambling premises would present an emergency comparable to that presented by an animal running at large while suspected of being afflicted with foot-and-mouth disease." You couldn't say it any better than that! We were absolutely delighted, and I put out the good word to the national media, which had followed the trial.

Johnny Marshall was most disappointed. I had an encounter with him in a men's room in Vegas, and Johnny was very unhappy that he couldn't come to Vegas whenever he pleased and romp in the casinos. But there was a postscript to this—Marshall was tried and convicted in Los Angeles on extortion charges early in 1964. He got ten years, so, to him, the whole *Black Book* thing became moot.

When I left the board, my colleagues at the Gaming Control Board made up a special *Black Book* with me in it. It was the original list of excluded persons, with my name added. I was in there with John Battaglia, "Johnny Batts." He was from Los Angeles. Marshall Caifano, "Johnny Marshall" was in the original, and he was out of Chicago. Carl and Nick Civella were brothers that were high up in the Kansas City mob. Mike Coppola, "Trigger Mike," was living in Miami at that time. Louis "Tom" Dragna of Los Angeles. Robert "Bobby" Garcia, also from Southern California. Sam Giancana, "Mooney," was

the Chicago godfather and a good friend of Frank Sinatra. Motel Grzebienacy . . . his first name was actually Motel, as it sounds, and his last name was Grzebienacy, but since nobody could pronounce his last name, including me, he was known as Max Jaben. Max Jaben was also from Kansas City. Murray "The Camel" Humphreys was out of Chicago. And Joe "Wild Cowboy" Sica was from Los Angeles. Those were the eleven people that were in the *Black Book* at that time.

Regarding the Johnny Marshall case, I can't emphasize enough how important the federal appeals court decision was to the state in its attempts to control the gambling business. Governor Sawyer issued a statement after Judge Crocker's decision against Johnny Marshall, and Sawyer said, "At the outset of Nevada's war against hoodlums and undesirables from other areas sojourning in this state, I said in regard to Marshall and all of the other *Black Book* figures, they could sue and be damned. Judge Crocker's decision vindicates my original feeling, which I again re-emphasize by warning all persons of Marshall's ilk to stay out of Nevada's gambling areas." He was pretty pleased with the decision.

Sawyer also said, in an overall discussion of how important gambling control is to this state and what we were attempting to do at that time, "The continuation of exclusive control by the state is necessary, legal, and proper, and will provide a further base for the strengthening of the industry and

our general economy." What he's saying there is that the state had exclusive control over gambling under this unique law that we had passed here, and that federal law, federal rights, did not include any right to frequent Nevada casinos. Very, very important decision.

During the John F. Kennedy administration there were some veiled threats against Nevada gaming operations. Were you involved in any of the situations where Attorney General Robert Kennedy came to the state of Nevada and caused problems?

When I first went to work for the board in mid-1963, the relationship between Nevada and the feds was pretty good—the Justice Department and the FBI. We used the FBI for our background checks. (All that the small, restricted slot licensees needed was an FBI background check.) Those relations were good. Two former FBI people were on the commission, and there were a number of them on the Gaming Control Board Staff, including Charlie LaFrance, a guy named Harold Jacobsen, and a couple of others. So that relationship was pretty good.

When John Kennedy was elected president and appointed his brother, Bobby, as attorney general, things began to change. Also, I think, the Sinatra case contributed to that. At that time Frank Sinatra was very friendly with the Kennedys. There were

allegations that at one point President Kennedy and Sam Giancana, the Chicago godfather, shared the same call-girl lady friend, Judith Campbell Exner, and we since know that Bobby Kennedy had warned Jack Kennedy about these kinds of associations.

Bobby, with the willing collaboration of J. Edgar Hoover, decided to crack down on Nevada gambling. It was sure a lot easier to crack down on Nevada than on crime in some other state. Nevada was a small state, not much population, and “the only state with legal gambling,” which was not true at all.

One of the things the government did was to institute a program of bugging and wire-tapping in our state. They bugged and wire-tapped a number of gamblers and casino owners, who were legal here and were, for the most part, following our laws and behaving themselves. (Many of them were former illegal gamblers who’d come here and gone legit, if you will.)

There was bugging and wire-tapping, and Sawyer was a strong believer in civil rights, and he believed that that was an infringement on the rights of legitimate citizens of the state of Nevada. It was also a violation of our state constitution. Sawyer got mad and made some unflattering statements about J. Edgar Hoover and Bobby Kennedy.

Bobby, by that time, had energized the federal Justice Department’s strike forces out of Los Angeles and brought them over here and raided some horse

and race books in Las Vegas. In at least one case, they actually broke a door down, as if it was an illegal race book in Boston. About the same time, NBC did a big exposé on bookie joints in Boston, which, of course, was Kennedy home territory. So, go figure. But in any case, the hypocrisy of it was getting to us, and, particularly, getting to Governor Sawyer. He was very, very unhappy.

I find it ironic that Bobby Kennedy, who ran for president as a great social liberal and protector of everybody's civil rights, conducted this type of activity in Nevada, violating the rights of Nevadans; but I guess it's not totally surprising when you remember that Bobby Kennedy started out as a staffer with the infamous Senator Joe McCarthy. Perhaps his approach to law enforcement came from McCarthy: you smear everybody first, and then see whether you can find some facts to back it up.

At one point Sawyer went back to Washington and met with President Kennedy. Sawyer had been a very strong supporter of President Kennedy. It's Nevada, so he hadn't delivered millions of votes, but he really admired Jack Kennedy and was a Kennedy kind of guy. (When Kennedy inaugurated twenty-five-mile hikes for fitness, we all had to suit up and march twenty-five miles down to the Carson Valley.) So, Sawyer went back and asked Jack Kennedy to call off Bobby and the strike forces and stop all the bugging and wire-tapping.

Sawyer was also angry with J. Edgar Hoover, who always came out with per capita crime statistics such that our one million residents got credit for every petty theft committed by every small-time gambler who came through Nevada. Hoover was making us look pretty bad.

It got very heated during the 1966 gubernatorial election campaign, and Sawyer ended up calling Hoover a Nazi. (I didn't write that speech.) Hoover didn't take kindly to that intemperate language, and he basically intervened in that election campaign on behalf of Paul Laxalt. I won't say he cost Governor Sawyer a third term, but he certainly didn't help. Hoover was a revered figure at that time. This was all before everything came out about him prancing around in red dresses and things like that.

During the 1960s, Frank Sinatra was licensed at the Cal-Neva Club on the north shore of Lake Tahoe. In the summer of 1963 it was determined that Sam Giancana, a Chicago mobster on the "List of Excluded Persons," was a guest of the Cal-Neva. Would you give me your remembrances and your recollections of that incident.

Well, you have stated it correctly, except Giancana wasn't just a Chicago mobster, he was the Chicago "godfather," one of the top organized crime figures in the United States. As I recall, the FBI had

lost his trail. They usually followed him around Chicago, but somehow he made it out to Nevada, invited by his friend, Frank Sinatra, who had a life-long association with organized crime figures. He'd been invited to come out to have a rendezvous with his girlfriend, Phyllis McGuire, of the singing McGuire Sisters.

Grant Sawyer and Ed Olsen were very unhappy about Frank's operations at the Cal-Neva at Crystal Bay, North Lake Tahoe. The Cal-Neva at that time just operated during the summer season, from Memorial Day to Labor Day. Ed had talked to Frank at the outset of that summer season about the unsavory characters that we were seeing up there and about running prostitutes or call girls through the lobby—a pretty shabby operation—and said that we wanted him to clean that up and behave himself. Sinatra's basic response to all of this was, "I've got a lot of friends, and I treat them right, and that's what I'm going to do, and there's nothing you can do about it." And sure enough, Sinatra continued the same kind of operation up there, which culminated in Giancana's visit, and that brought matters to a head.

Ed wanted to talk to Sinatra about the Giancana visit. Saturday, August 31, 1963, Sinatra called Olsen—he was agitated about publicity that the board and commission were going to subpoena him and some of his friends to come and tell them what was going on up there. I had gone to work for the

board in July or August of 1963, and I happened to be in the office that day. When Frank called, Ed told me to get on the phone. I was the only other person in the office at that time.

You would think that the Gaming Control Board would have had bugging and wire-tapping equipment, but we didn't. It was before all the sophisticated listening devices, so I was the listening device, and I heard the conversation, which got increasingly heated. As Ed said in his classic memo, Sinatra was profane in the extreme. He called him every name in the book. Sinatra even called Ed, who was crippled by polio in his youth, "a crippled SOB."

It was a very nasty phone call, but that phone call was not the reason the board and commission moved against Sinatra's license. It was the fact that he rolled out the red carpet for Sam Giancana, the Chicago godfather, who was in the *Black Book*. You couldn't have had a more clear violation of the rules and regulations we had put in place to try to clean up the gambling business.

According to the memo I did at the time, Sinatra initially invited Olsen to come up to the Cal-Neva and talk about this business "like a couple of friendly guys." Olsen suggested that Sinatra come into the Gaming Control Board office in Carson City, since Olsen largely wanted to be on his own turf. Sinatra, of course, refused to come to Carson, so Olsen offered to meet with him at the North Lake Tahoe home of the Cal-Neva accountant, Newell Hancock,

who, I think, had been on the Control Board staff at one point.

Sinatra got more and more angry as this went along. He accused Olsen of harassing the little guys who worked at the club, and he objected to the subpoenas. At one point he threatened Olsen, warning him that if he continued with this action, he would get “a big, fat surprise.” And Sinatra had the friends who could give Olsen a big, fat surprise.

Olsen asked Sinatra if he was making threats. Sinatra said he wasn’t, but it sounded like a threat to me. At another point, Sinatra offered to bet Olsen \$50,000 that the subject of subpoenas had been mentioned in newspaper stories. Olsen said he didn’t have that kind of money, and Sinatra countered with, “Well, you’re not in my class.” Frank was used to getting his own way and playing by his own rules, and we called his bluff.

Do you think that the mob or the Mafia was actually involved in the operation of the Cal-Neva, or was Mr. Sinatra simply trying to impress or return favors to Giancana?

Well, Sinatra certainly had enough money to run a club, and I don’t recall ever seeing any evidence that the Mafia, per se, was running his club, but I think it’s fair to say that they were welcome up there. It was a nice retreat. They had the cabins, there was some privacy, and it would have been a good place

to meet your girlfriend, gamble a little . . . a very nice setting. The Cal-Neva has a beautiful location up there right on the state line.

After this phone conversation, Ed gave my wife and me twenty bucks out of the enforcement funds, and we went up to the Cal-Neva that night with a copy of the *Black Book* in hand. This is how thin we were in the enforcement agency. There were my wife and I, a couple of twenty-eight, thirty-year-old kids, up there looking for hoodlums. [laughter] We spent the twenty bucks, and that's probably the most gambling that we've ever done in the state of Nevada.

As I recall, Sinatra had a fellow named Skinny D'Amato as his right-hand man at the Cal-Neva.

Skinny D'Amato was the enforcer. He was the bodyguard and Sinatra's front guy up there. It's kind of incongruous. You think about the setting of North Lake Tahoe in those days. There wasn't that much going on up there, but here's this high-powered Sinatra operation, with people like Skinny D'Amato playing a prominent role. That was not like the general scene at Lake Tahoe in those days. People like Skinny D'Amato and Sam Giancana were out of place there.

When I talk about Sinatra, I always try not to just dump on him. I was angry at that time, too. He just challenged us right to our faces, challenged our

ability to control gambling in this state. But, of course, Sinatra was a great entertainer, a great singer, did a lot for the state, got a lot of people in here, and helped to popularize Las Vegas. I recognize his great talent and what he did for the state, but this was the most serious challenge I think it's the most serious challenge to gambling control in the state's history, and we just had to do what we did. We had to move on his license. We couldn't allow that challenge to go unmet.

Do you suppose Olsen would have ordered Sinatra to get Giancana off of the property, if he hadn't already left?

Oh, yes. Oh, absolutely! That would have been the *Black Book* action, just like Johnny Marshall's. Sure, Ed would have ordered him out. He might even have done an Abbaticchio-type strike force, me and my wife and a couple of other guys going up there, picking up cards and dice and.... [laughter] But, yes, we didn't want Giancana out here. At that time Giancana was probably the most notorious member of the *Black Book*. Some of the others were just soldiers, but he was the Godfather, and widely recognized as such. Everybody knew Giancana was big trouble!

What finally happened was that the board filed a complaint against Sinatra for hosting Giancana, for basically rolling out the red carpet for him, in

violation of state rules and regulations. Sinatra's response was to bluster and say he was bigger than the state of Nevada; and after all he'd done, why were we so ungrateful?

He drummed up a big P.R. operation, in which I received many, many phone calls from nationally syndicated columnists. I talked to people like Westbrook Pegler and Drew Pearson, who were national figures: "Why are you harassing our friend Frank?" That campaign was led in Nevada by Hank Greenspun, editor and publisher of the *Las Vegas Sun*. He was Frank's very good friend, and Greenspun, of course was a maverick Republican, so he was on the other side of the political spectrum from Grant Sawyer, who was a liberal Democrat.

They geared up a P.R. campaign, trumpeting all over the place that we were abusing this innocent person who had done so much for our state, ignoring, of course, the fact that he just shoved Giancana right in our face and violated the whole anti-hoodlum policy that we were pursuing here. And it was a very effective national campaign. It was a black eye for Nevada, in that sense, but we did what we had to do—continued the complaint against Sinatra. He hired as his attorney Harry Claiborne, the Vegas attorney who later became a federal judge and then was disbarred on corruption charges.

In the end, Sinatra threw in the towel and went away quietly when he realized that he wasn't going

to win. When you are accused of cheating or hosting a hoodlum, you have to prove that you didn't do it. There was no way that he could have proven that Giancana wasn't his guest at the Cal-Neva. He was, and Sinatra had been warned about that months earlier.

(You can hear from some later gaming control people, the people that let Sinatra back in, that Sinatra lost his license just because Ed Olsen got into a snit over a nasty phone call. It wasn't the phone call. That is a total fabrication! That's the neo-history of the thing. I don't want to lay that on any particular people, but they rewrote history when they let Sinatra back in.)

At the time, the Cal-Neva had closed for the season, and it never reopened under Sinatra's ownership. The phone call was made August 31 of 1963. On October 7, attorney Harry Claiborne issued a statement on behalf of Frank Sinatra, "About six months ago, I decided my investments and interests were too diversified and that it would be in my best interest to devote most, if not all, of my time to the entertainment industry. To achieve this I instructed my attorney to adopt an orderly plan to liquidate my non-entertainment industry investments and to merge my interests in one major company," et cetera, et cetera, ending up, "I intend to divest myself completely from any involvement with the gaming industry in Nevada." Translation: Sinatra caved in. He realized he couldn't win under

our law, as written, and he caved in and threw in his license.

Sinatra was also licensed for a small percentage of the Sands in Las Vegas, where he'd had a fistfight with Carl Cohen, and he was very big in the Sands. That's usually where the Rat Pack appeared when they were in Vegas. So he threw in his licenses for the Cal-Neva and the Sands, and, after that, could only appear there as an entertainer, until he got his license back in the early 1980s.

Several months after Sinatra threw in his license and gave up, Ed Olsen was walking through one of the casinos on the Las Vegas Strip, and Frank's friend and fellow member of the Rat Pack, Sammy Davis Jr., came up to him and said, "Are you Ed Olsen?"

Ed, with some trepidation, said, "Well, yes."

Sammy said, "Come on over here in the corner. I want to talk to you."

They went to some relatively quiet corner of the casino, and Sammy said, "I just wanted to shake your hand. Frank has needed that for a long time."

Somebody finally told him that he couldn't do exactly what he wanted to do, when he wanted to do it. Nobody had ever done that to Frank before, and it was probably a good lesson for him.

When I look back at it, the Sinatra case was Vegas culture moving into northern Nevada. These were fast operators moving into the Cal-Neva, a peaceful, tranquil place up at the lake. There were, and

are, two different cultures in Nevada. Northern Nevada is sort of blue collar friendly—we had women dealers here first—while Vegas is slick and new, with adult resorts.

Sinatra came back into gaming in the early 1980s. By then, Ronald Reagan and Paul Laxalt were in their political ascendancy, and Frank Sinatra was now a rabid Republican. He received a lot of recommendations that he was really a fine fellow and that the 1963 case had all been a misunderstanding involving this hot head, Ed Olsen, who was angry about a nasty phone call.

The Gaming Control Board, to its credit, actually sent an investigator to interview me in Madrid, Spain, where I was stationed at the American Embassy in the Foreign Service. This investigator was quite a character. His name was Sully DeFontaine. Sully came to Madrid and interviewed me about what I recalled about the Sinatra case. Of course, I had made copies of a lot of the file stuff and told Sully everything I knew, and that I didn't think Sinatra should ever be licensed again in the state of Nevada, because of the defiant attitude and the major challenge he had mounted to our state's ability to control the gambling business. I also wrote to my friend, Jack Stratton, the former office manager, who was by then a member of the Gaming Control Board, strongly opposing the re-issuance of a Nevada gambling license to Sinatra.

Well Sinatra got his license back and was pronounced an upstanding citizen and a great credit to the state of Nevada. When you come in recommended by Ronald Reagan and Paul Laxalt, that probably helps. After what he did to the state, and the challenge that he mounted, I would have never licensed him again. I think that was a mistake. I think they caved in to political pressure.

Did the Gaming Control Board receive many letters from customers saying they'd been cheated or treated unfairly in the casinos?

There were very few complaints of that type. We conducted routine card-and-dice pickups, in which we all participated. We'd go around to casinos, pick up the cards and dice, and make sure they were legitimate. We would go into a casino—two or three of us from the Gaming Control Board—show our I.D., and pick up the cards or dice that were in play. We'd take them back to what we euphemistically called—I think this was Bob Faiss's invention—the “Gaming Control Board Laboratory” in Carson City. We did have some equipment to look at the cards and to put the dice on micrometers and that sort of thing, see if they'd been shaved or loaded.

When you took this equipment off the table, did you seal it?

We sealed it in a bag. We signed it, and the pit boss, or whoever was on duty there, signed it, and we took it back to Carson City and checked it out.

During the time I was there, all the cheating we discovered, except for the well-known case at the Silver Slipper on the Vegas Strip, took place at the small clubs. There was a case at Topaz Lake. There was a case in Wells, in a place with a single blackjack table—you hit them for a hundred bucks, somebody would get worried. The small clubs were more likely to try to stop you when you were having success, and that's where I think the cheating was going on. The odds are in favor of the big clubs. They get the play, they have the percentages going for them, and they make the money. The Nevada thing is that when you come out here to play, they're going to deal to you from a fifty-two-card deck, they're going to pay you if you win, and there's just not the need to cheat you.

The one big cheating case during my time was the Silver Slipper on the Las Vegas Strip. The Silver Slipper was a medium-size slot emporium on the Strip with a few table games. During a routine card-and-dice pickup in April of 1964—and I'm sure that was supervised by Butch Leypoldt out of the Vegas office—they checked out the dice and found that they had been shaved on one side. Of course, that affects the odds of which numbers are going to come up.

We notified the Silver Slipper owners, who immediately blamed the dealer, but the Gaming Control Board closed the entire casino until the case could be heard. Well, it was heard on an urgent basis, obviously. We had closed up the place and put a number of people out of work temporarily, but we took care of the whole thing within one month. The control board recommended closing the casino, because this was intentional cheating, and the commission compromised in this instance and closed the table games, but permitted them to reopen their slots. Meanwhile, the owners decided to sell out, and the club opened under new ownership the following year.

In the case of the Slipper, the casino was probably fixing the dice to cheat the customers, but it may have been that the owners just didn't know much about gambling, and their own people were ripping them off . . . which happens. At the time, most of the cheating in casinos was dealers cheating the house, an inside job: You're the dealer; I'm your buddy. I come in, gamble at your table, and I lose. You pay me double. We go out in the alley and split the proceeds, and that's that.

The Slipper was a notorious case. In all such cases, the political opposition here in Nevada, when we would take an enforcement action, would question it and say, "Oh, that's a bad mistake. Governor Sawyer and his gaming board and commission are making us look bad by taking these public actions."

Well, we would always say, "Let the chips fall where they may. We have a mandate here to enforce the gambling rules and regulations for the benefit and the best interests of the people of the state of Nevada. Casinos hire expensive P.R. guys to make themselves look good. It's not our job to make them look good; it's our job to enforce the law, and in the end, that's the best thing for the state."

Some of the Laxalt people never really understood that very well. I go back to Governor Laxalt's appointment of Alan Abner, the P.R. guy, to head the Gaming Control Board, with instructions to "Make the industry look good." Well, you can make the industry look good by not taking any enforcement actions. Hey, they look real good, but you're not doing your job! I think Paul eventually understood gaming control, but I don't think he did when he came in with the idea of polishing the image of the industry.

Let's talk about Ed Thorp.

Professor Edward Thorp, a mathematics professor from New Mexico State University, developed the "infallible system for winning at blackjack." The infallible system, of course, was card counting. He was a rather well regarded young mathematician, who developed his infallible system and wrote about it in a book called *Beat the Dealer*. He sold 60,000

copies of that book, and a lot of people rushed out to Vegas and Nevada to beat the dealer.

Thorp *could* beat the house if they played by his rules. If they would deal him one deck, and he could play head to head with the dealer, then he could count the cards and win. Of course, casinos, for some reason, like to maintain a margin in their favor. [laughter] They responded to Thorp by changing the rules. They started to deal out of two and three-deck shoes, and they started to shuffle after every hand, and things like that to make it impossible for Thorp and his followers to count the cards.

Thorp immediately said that he was being cheated. He could feel it in his fingertips—he knew when he was being cheated. Now, this is a college mathematics professor, and, of course, he was making the state look real bad. His book first surfaced, to the best of my knowledge, in 1961, and articles started to come out about 1964, after his book had been selling pretty well. There's a *Life* article in March 1964 in which Thorp calculates he could average \$300,000 a year, which was real money in those days, if the casinos didn't cheat him.

The writer for *Life*, Paul O'Neill, had given a lecture to my journalism class at the University of Washington when I was a student there. O'Neill swallowed this Thorp thing hook, line, and sinker, and repeated the cheating allegations without asking us for any comment. I wrote O'Neill an angry

letter, saying, "You've violated every journalistic rule you talked about when you addressed my class at the University of Washington."

This is one of the things O'Neill wrote: "Thorp usually knows in his nerve endings just when he's being double-crossed." Well, all of this is pretty dramatic. This is in *Life* magazine and repeated in *Sports Illustrated*. Did they ask their Carson City stringer, the very capable journalist, Guy Shipler, for any comment, or get any comment from the state? No! This was just Thorp, throwing out these allegations and claiming that if they don't cheat him, he wins!

Vegas casinos changed their rules for blackjack, and everybody said, "Well, there, that shows you—it's an infallible system." But, of course, the house *can* change the rules. I mean, that's perfectly legitimate, as long as you play under any generally accepted rules of the game. It's a very competitive business. If somebody out there is dealing a single deck, then the real players look for that kind of an advantage.

Thorp hired a "card detective" to observe his games and see whether he was being cheated by the casinos. The detective said they had played in a hundred games, and there were two instances of possible cheating. The Gaming Control Board interviewed Thorp and his alleged card detective in January of 1962, when Ed Olsen was still the board chairman, and they just couldn't produce any solid

evidence of cheating. What they did was say, "Well, they were changing the rules on him, so that his system didn't work." So be it. Different casinos have different rules. If you can find better rules elsewhere, go there and gamble. It's like single-zero roulette wheels. If you're a roulette player, you look for a single-zero wheel.

Eventually, a couple of casinos challenged Thorp to come in and play. Well, Thorp wouldn't do it, because he'd have to play by the casino rules, and he said, "I don't like this because of the complexities." The complexities would be that he would have to play by the casino's rules, not his. Out here in Nevada, our casinos set the rules, within legal limits.

The famous gambling expert, John Scarne, challenged Thorp to a \$100,000 blackjack showdown, which he rejected, as well. Meanwhile, *Readers Digest* had picked up on the *Sports Illustrated* story under the headline, "Bye-Bye Blackjack." So Thorp really got a lot of publicity and sold a lot of books. He even went on the *Steve Allen Show*, the old *Tonight Show*, and repeated his charges. Sawyer got steamed about this and said, "How do we counter Thorp?" And Sawyer also went on the *Steve Allen Show*. I went down with him to L.A., and I set it up.

Sawyer tried to counter Thorp, but, of course, in those days, the deck was stacked against Nevada, "the only state with legal gambling," even though six or seven other states were making more money

off legal gambling than Nevada was, including New York and California—dog tracks, horse tracks, bingo games, card rooms in California—you name it. But we were “the only state with legal gambling.”

An air force physicist named H.T. Bean developed what he called a “hand-held computer.” This was 1964, so it probably wasn’t a computer as we know it, but you could sneak it into a casino, and it would help you count the cards under Thorp’s system. By late 1964, a lot of people had tried Thorp’s system, playing by Nevada rules, and not many of them were winning, even those with a computer. Interest faded in Dr. Thorp and his system.

Instead of “Bye-Bye Blackjack,” the end result of all of Ed Thorp’s publicity was that he greatly increased interest in the game of blackjack in Nevada, and table-game revenues went up. We had more blackjack tables than ever and more blackjack play than ever. Actually, many of the casinos went back to the old pre-Thorp rules, including a few single-deck games.

Ed Thorp just faded away. There was never a lawsuit filed. He didn’t take any challenges, and he turned out to be a pretty naïve mathematics professor. Mathematicians always want to find the perfect system, when it comes to gambling, because you can do a lot of mathematics on gambling games. Sometimes you win, and sometimes you lose, but in the end, the casino has the odds. If they didn’t, why would they be in business?

In 1965 a person named Ruby Kolod was removed from the license of the Desert Inn. He became furious with Governor Grant Sawyer, blaming Sawyer for the action. Would you tell us about Mr. Kolod?

Ruby Kolod and Moe Dalitz were part of the gang that came in and bought the Desert Inn. They were illegal gamblers from Cleveland. They ran casinos in Cleveland, and I guess they got tired of being harassed, so they came out here and decided to go legit and buy a gambling casino. Now, does that make them mobsters? It would depend. If illegal gamblers are by definition mobsters, why, yes, that's what they were.

Vegas was full of them, you know. More than the real Giancana-type mob figures, Vegas had plenty of operators who had been illegal gamblers in other states. They were grandfathered in, and as long as they followed the new rules, kept out the *Black Book* guys, ran honest games, we left them alone.

Reno had the same situation. Probably the best known of those guys in Reno was Lincoln Fitzgerald, but, of course, the Smiths (the family that had Harolds Club) had done some illegal gambling in their day, and Bill Harrah's dad had, too. Casino gambling was illegal in most other places, so in the 1960s we had lots of former illegal gamblers in Nevada, but they were operating honest games here.

We were happy that gamblers were operating casinos. In fact, later on, when Howard Hughes and his MBA guys came in here and ran gambling casinos, there were problems—he had a lot of naïve people supervising gaming operations. So we don't hate illegal gamblers. We said, "Keep your nose clean, stay away from the mob, follow the rules, and we'll leave you alone. Pay your taxes. That's fine."

Ruby Kolod was a 14 percent owner of the DI (Desert Inn), and the Gaming Control Board filed a complaint to revoke his license as one of the owners on the basis of a conviction in the Colorado federal court for conspiracy, extortion, and threats. The Gaming Control Board said this made him unsuitable as a licensee, and the commission ruled against Kolod in September 1965. (Kolod had been an illegal gambler elsewhere. We don't want to make these guys seem too benign. He had an arrest record going back thirty years.) So the Gaming Commission ruled against him, revoked his license.

Ruby Kolod became very angry with Grant Sawyer. And Sawyer, as he always did, said, "The Gaming Commission, Gaming Board, are doing exactly as I want. That is what the 'hang tough' gaming control policy is all about. You cannot have this kind of a conviction, criminal record, and continue to be a casino owner here in Nevada."

Well, Kolod had also done some good things. He had founded the Danny Kolod Youth Founda-

tion, which helped sick children. Like Sinatra, a lot of these people had a benevolent side. They realized that it's good P.R. to contribute to things like that. The Republicans and Paul Laxalt picked up on the fact that Ruby Kolod had a heart of gold, and they said he was really a good guy and was just misunderstood. They completely ignored his conviction for conspiracy, extortion, and threats, and they criticized Sawyer and the gaming authorities for revoking his license.

I recall Paul Laxalt stopping me on the sidewalk here in Carson during that period and asking me what we thought we were doing to Ruby Kolod. I said, "Well, I think we're revoking his license, because he has this conviction."

He said something like, "Well, don't you see? This makes us look bad."

"No, it doesn't. It makes us look *good*. We're doing the right thing here, and that's what the Gaming Control Board is supposed to do."

I really like Paul Laxalt. I liked him then, and I like him now. But for a while there, he was misguided on gaming control.

Did you ever hear that Ruby Kolod pledged \$200,000 to Paul Laxalt's campaign for governor against Sawyer in 1966?

No, I never heard that, but it wouldn't surprise me. Paul was very interested in the case, and he had

a private law practice at that time (even while he was lieutenant-governor), and he *did* represent some casino people. So I would not be surprised. At the outset of it, Kolod was a legal casino owner in Nevada and could contribute to the candidate of his choice.

Kolod was a minor issue in the campaign for governor in 1966. His case was overshadowed by our issues with J. Edgar Hoover, Bobby Kennedy, and the Kennedy administration at that time. Sawyer had been a good governor, but I think the intemperate language that we used against Hoover and Bobby Kennedy probably hurt us. Whether it did or not, in those days it would have been difficult to elect Jesus to a third term in Nevada. People thought two terms was enough, and it was time for a change, and Paul Laxalt was a very attractive candidate.

Laxalt was a local hero in Carson City, a very smart and articulate person, and he was a formidable opponent. In Carson City's 1966 Nevada Day Parade, to counter Laxalt's local popularity, Bob Faiss and Chris Schaller and I started at the beginning of the parade and ran from corner to corner, ahead of Sawyer's float. When he came by, we'd cheer and yell and carry on. That's the way politics was in this state in those days. It was small-towny politics. Sawyer didn't have a huge staff, so he mobilized what he had, and out we went . . . although I wasn't supposed to be involved in partisan politics as an employee of the Gaming Control Board. [laughter]

Paul Laxalt's brother Bob, Robert Laxalt, was just the greatest Nevada author! I really liked him. I think he was probably a closet liberal, but I admired Bob's writing a lot. He was an elegant writer. When he died recently I wrote a column saying, "When I read Bob Laxalt's writing, I know I'm not a writer; I'm just a journalist."

One of Bob Laxalt's books in his Basque Trilogy, *The Governor's Mansion*, is a revisionist history of the 1960s in which the Paul Laxalt character is the "white hat," and the Sawyer character is the "black hat." It was never that simple. I love Bob Laxalt when he's writing about Nevada and the sagebrush, and how rural Nevadans are like the sagebrush and thrive in unlikely places, and it's just beautiful. When he wrote about 1960s politics, he took some poetic license. Of course, I think Sawyer was the "good guy" and Laxalt was the "bad guy" until he understood what gaming control was all about; and then, he, too, was a good guy. I've always liked him personally, and I liked him politically after he came around some on gambling control.

When Paul Laxalt took office as governor, he was very upset about the way we had dealt with J. Edgar Hoover and Bobby Kennedy and the Justice Department. He thought the mob controlled gaming in Nevada, and he saw Howard Hughes as a savior. Who would you rather have, Howard Hughes or the Mafia? Well, Paul would rather have Howard Hughes. Therefore, Hughes didn't even have to ap-

pear before the Gaming Commission to be licensed. They issued his gaming license in the middle of the night.

Of course, Howard Hughes brought in model managers, the MBAs. Every department in a Hughes casino had to break even or show a profit, and that was the end of all those good freebies like complimentary food, drinks, and rooms. That ended the five-dollar dinner show at Harrah's South Shore Room, and it was the start of a new era for Nevada. I think it changed the nature of the business and the way people approached it. Everything became bottom lines. It used to be that the show bars and the golf courses in Vegas were loss leaders to get people into their casino, but now everybody had to be in the black.

I understand MBA studies and the necessity for everybody to make money, but I'm not sure that was a good thing for gambling in Nevada. Some of the old gamblers, the Ruby Kolods and Moe Dalitzes, the Lincoln Fitzgeralds, and even Bill Harrah and the Smiths probably had some trouble coming to grips with that, but eventually they all hired management people, and the Hughes management techniques came into widespread use. I'm not sure that's all to the good.

What about the skimming rumors that circulated prior to the 1966 election?

Skimming rumors plagued us when I worked for the Gaming Control Board and Gaming Commission, and it was always hard to refute them with hard evidence. We had an audit division at the board, and we had people in the counting rooms (in fact, they had to follow the money from the table drop box into the counting room), but it would be hard to make a categorical statement that no skimming was taking place.

There were a lot of people, not just State Gaming Control Board auditors, that had an interest in trying to stop skimming to ensure that the state collected its fair share of the proceeds. Of course, casino owners also had a big interest in trying to stop skimming by their employees. I never saw any solid evidence that casino owners were skimming money themselves, but that allegation was a constant with us too.

When we got into it with Hoover and the FBI and Bobby Kennedy, then the allegations *really* started to come out. A lot of those came through a journalist named Sandy Smith of the *Chicago Sun Times*. He was being fed information directly by the FBI after Hoover got mad at us. After we called him a Nazi, here came the allegations about skimming and the accusations here in Nevada that Governor Sawyer and Ed Olsen knew all about the skimming and didn't do anything about it.

The FBI sent agents into casinos to watch the money going down into the drop boxes. Well, what

does that tell you? Nothing. Or they would say, "Ah, this casino had a big win streak," or a big streak of losses. Well, hey, gambling is like that! But these were naïve law-enforcement guys. It goes back to what I said earlier: you don't want FBI agents or policemen as your enforcement people in gambling control. Your enforcement people should be gamblers. They're people that know the games, people that recognize when somebody is dealing a second, or when somebody's peeking at her top card, or is a "capable" dealer. That's what gaming enforcement is about.

There were all these allegations, and NBC did one of their famous "White Papers" on the alleged skimmming in Nevada, so the governor ordered Gaming Commission hearings, presided over by Milt Keefer. I was there. What can you say about them? You bring in people that say that skimmming is taking place, and those that adamantly deny it, and the Gaming Control Board had very little specific evidence of skimmming. We never could really make the ultimate denial, "No, there's no skimmming taking place." So there probably was some. I hope it was not of the proportions that some alleged, but we'll never have any way of knowing. As I recall, the governor finally told Keefer to put an end to the hearings.

I don't know how you definitively prove that skimmming exists or doesn't exist. If it does, to what extent? How much of it is the casino ripping off

the state tax collectors, and how much of it is the inside guys or the counters ripping off the casino owners? I don't think we're ever going to know the answers. And if skimming does occur, how do you stop it? I understand that in recent years they've put in more controls. Now we have computerized counting and more stringent requirements for how the money goes in, how it's counted, how many people are in the count room, and increased surveillance. We did put people in the counting rooms in those days, but we had a small audit staff, so casinos didn't get audited very often.

Do you remember a fellow named Joe Matthews? In 1966 he started a petition to substantially raise gaming taxes and got it put on the state ballot as an initiative.

Matthews was an early-day Joe Neal. His proposal was a dramatic increase in the gaming tax, which, of course, is a tax on the gross—when you talk about 6 percent on gross, you're talking about a much higher tax than a tax on net. There was also a candidate in Sparks, Bill Gault, who eventually ran for U.S. Senate, and Bill Gault also was a “soak-the-gamblers” kind of guy.

It seems in every era in Nevada we have a “soak-the-gamblers” person. My view isn't so much soak the gamblers as it is to charge them a little extra, because it's a privileged industry, and they should

be paying their fair share. That is why I now advocate that they add a half or quarter percent on the top rate. They could endorse the idea and surround themselves with school children and proclaim themselves champions of the public—a Bill Clinton type of thing. It would be good P.R.

In 1966, allegations were coming out that gamblers weren't paying their fair share, and Matthews probably wanted to double the gambling tax. Nobody in their right mind opposes some reasonable, rational gambling tax increase based on the facts, on a study of the profitability of the industry, but we felt that doubling it was pie in the sky, and it would really hurt the business.

The state brought in a reputable, national accounting firm, and they conducted a study that concluded that, sure enough, Matthews's proposal would have a devastating effect on the gambling industry and on state tax collections. I was involved in publicizing that study and answering questions about it. This made Reverend Matthews and his followers very angry. He said we were in the pocket of the casinos.

Gaming taxes gradually increased over the years, but there hasn't been a bump in the last ten or twelve years. That's why I say now, given the budget shortfall, the casinos would make themselves very good citizens by offering up even a quarter percent on that top rate. It would make a big difference, but they're not going to do it. I don't want to say they

own the legislature, but there isn't going to be a serious discussion of gambling taxes, not at the moment.

In your years as a spokesman for the Gaming Control Board and the Gaming Commission, did you have many dealings with the state legislature?

No. I was mainly in the background. I produced public statements. I spoke for the board and commission on gambling control issues, but, basically, Ed Olsen and Milt Keefer would testify on gaming issues before the legislature . . . or sometimes people out of the governor's office, like Dick Ham or Bob Faiss. I was the public spokesman and liaison with the media, but not too much with the legislature.

I did know a lot of the members of the state legislature in those years, because I had covered them as an AP correspondent. In those days, after the legislature would meet, they would adjourn down the street to Melody Lane or The Embers, the old legislative bars, and order a couple of bottles of Wild Turkey. Then we got our news briefings!

All the journalists stuck together. There were journalists, and there were the state P.R. guys—flacks, as they were called. If you're a journalist, you're doing the news, and you are a legitimate and honorable person. When you cross the street to the other side, and you become a spokesman for state government or a company or a casino, you become

a flack. You're looked down upon by the journalists, because you sold out.

In those days, it was a thing among journalists. You didn't sell out and become a flack. Of course, I became a flack, but not just because I made a little more money; and when I say "a little" I mean a little. I really believed in what Governor Sawyer and Ed Olsen were doing. I admired and respected them, and I didn't mind at all being a part of that movement to strengthen gambling control. But I was a flack.

When did you leave your position with the Gaming Control Board?

I left at the end of 1966, but I had decided to leave during the election campaign. I had been there a little over three years, and I wanted to move on. I was interested either in returning to journalism or taking a shot at the Foreign Service. My wife was from Mexico, and we were young and wanted to go out and see a little bit of the world, and we did. I was accepted by the U. S. Information Agency and had a twenty-eight year career before retiring with my wife to Carson City. Northern Nevada has a lot of natural attractions to recommend it, and this is a *real* place. As the Carson Valley Inn billboard says, "Match this, Las Vegas!" We have the Sierra Nevada, and parts of the desert are very beautiful and historic.

What we don't have is the political power we once did, and I worry about the growth of the south at the expense of the north. What can we do about that? Not much. My guess is the gaming controllers these days are spending a lot more time down south than we did. The bulk of the staff is probably down there. For my part, I'll stay right here in Carson City. Even Reno is a little too big for me.

I continue my personal interest in gambling control in this state, because I've been watching it for a long time, and I have strong views about it. In my Sunday political column in the *Nevada Appeal*, I occasionally rant and rave about Indian and Internet gambling. I think those are two unsuitable forms of gambling in the Nevada context, under our law and our rules and regulations. They cannot possibly be regulated to the standards we require of our licensees.

It's not like the old days, when an operator had to choose between being a gambling licensee in Nevada or being licensed somewhere else. But I think those kinds of restrictions should apply to Nevada licensees today, in terms of Indian and Internet gaming. They should be forced to choose: either stay in Nevada—own your casino here and follow our rules—or go get involved in Indian and Internet gaming, which are basically unregulated and cannot ever be regulated to the standards we require of our licensees.

I know my attitude is probably generational. As the new Internet people say, "Leave it alone. It's out there; it exists; and you can't do a thing about it."

There are so many Nevada corporations that are in other gaming arenas now that it would be difficult to ask them to make a choice.

That's true. First, they fought Indian gaming, and then they said, "Well, if we can't beat them, let's join them." But I worry sometimes about the lack of controls out there. The National Indian Gaming Commission has thirty to fifty employees to police 800 casinos. Figure it out.

A lot of people who cannot be licensed in Nevada are involved in Indian and Internet gambling. Internet gaming is the worst. You have 800 Internet gambling web sites in Antigua. Can Antigua guarantee that they're dealing you an electronic fifty-two card deck? I don't think so. Or if you win, will you be paid? In Internet gaming, you deserve what you get. If you're dumb enough to do it, good luck!

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